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Diasporas as Vehicles of Development: Learning from International Experience

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Diasporas as Vehicles of Development: Learning from International Experience

“Diaspora” is a word of Greek origin meaning “to scatter”, which probably comes closest to the historical Jewish experience of forced expulsion and dispersal. However, over the past decade or so, the word “Diaspora” has become a term of self-identification among many varied groups that migrated, including the Moldovans. Thus, the question that comes to the fore is: what does the Diaspora, or the migrant community, mean or should mean for Moldova? In this paper the author tries to find answers to this question.

1. Political Importance of Diasporas

On a global level Diasporas have increasingly become significant players in politics, for which there are numerous reasons, including: (a) new communication technologies, which have improved the abilities to mobilize people; (b) the growth of economic resources due to swelling migrant numbers and communities; and (c) profound changes in the world political system itself, as more democratic nation-states emerged, following the fall of communist regimes, Moldova being one of such.

Political interests and activities within Diasporas are certainly nothing new; historical studies of migrant communities indicate a considerable degree of political engagement-from-afar. Examples of such politically active Diaspora communities are the Jewish and Armenian-American associations that represent some of the strongest lobbies in Washington, DC. Also the Diasporic Iraqi groups and

individuals, for instance, played crucial roles in encouraging American military intervention in Iraq in 2003. At present, we can broadly observe a variety of ways in which internationally dispersed social groups mobilize and undertake a range of electoral and non-electoral political activities. Different Diaspora-based associations may lobby their host countries to shape the policies in favour of their homeland or to challenge the homeland government; they may influence the homelands through their support of or their opposition to the governments, give financial and other kind of support to political parties, social movements, and civil society organizations, or even sponsor terrorism or the perpetuation of violent conflict in the homeland (see Vertovec 2005)

The homelands, that is the nation-states themselves, may reach out to engage the political interests of Diaspora populations. Allowing dual citizenship and/or nationality is one way for countries to reach the migrants. There is now an upward global trend in the prevalence of dual citizenship/nationality, both in terms of people possessing it and states allowing it. It is estimated that more than a half-million children born in the United States each year, who become American citizens automatically, have at least one additional nationality. Of course, many policymakers in migrant-receiving countries are unhappy about this, believing that people should pledge allegiance only to one flag and loyalty only to one state. This was recently to be felt during the Iraqi election in January 2005, when over one million Iraqi expatriates were expected to have a major impact on the results. In fact, only one-fourth of those eligible actually registered to vote (see Vertovec 2005).

Other cases demonstrate how overseas nationals may return home in masses to participate in elections, which has happened in Turkey and Israel, sometimes with political parties paying for their flights. The migrants may also vote in large numbers at overseas embassies, as during the recent Indonesian and Algerian elections. To keep the Diaspora politically interested as well as to sustain financial flows, the politicians in the countries of emigration often invoke solidarity among their expatriate nationals. A good example of this was the situation in 1990 when the Irish President Mary Robinson proclaimed herself a leader of the extended Irish family abroad. Vincente Fox campaigning among the Mexicans in California in 2000 similarly played upon the broader boundaries of an imagined nation by declaring that he would be the first president "to govern for 118 million Mexicans" — including 100 million in Mexico and 18 million living outside the country. With an estimated 400,000 Moldovan citizens abroad the out-of-country voting mechanism would be particularly relevant to Moldova, as the country gives no access to voting poles for those presently abroad.

2. Economic Importance of Diasporas

From the economic perspective, there is little doubt that from the voluntary migration from a poor to a rich country almost always benefits an individual migrant: the wage differentials paint a clear picture – for instance an average monthly salary in the Ungheni town of Moldova fluctuates around 60 USD, whereas, according to our research, the Moldovans in Ireland are remunerated with 3125 USD per month (see IOM, EC FSP & IMF remittances survey 2005). The question is whether the benefits of individuals and their relatives left behind aggregate to a general benefit of the home country.

Naturally the main economic linkage of a Diaspora to their homeland are the remittances. The money that Diaspora population sends home is highly sought by many countries; hence numerous governments offer now their nationals abroad special foreign currency accounts, incentives or bonds for expat investment, customs or import incentives, special property rights or privileged access to special economic zones. The same goes for Moldova, which ranks second in the world in terms of remittances in relation to GDP (see World Bank report 2005); the government has currently a number of national projects in place, such as “*Satul Moldovenesc*”, which target remittance-generated savings and create special incentives for the investments of such capital into urban and rural infrastructures.

Remittances are also an important social safety net for poor families, possibly reducing additional out-migration in particularly difficult times. Studies in the Dominican Republic showed that residents at all economic and social levels received remittances, the poor, however, relied on them most heavily, as one would expect. In the aftermath of the devastating Hurricane Mitch in 1999, the government of El Salvador asked the United States government not for additional humanitarian aid, but for an extended permission for Salvadoran immigrants to stay legally in the United States so that they could send money to the storm-affected relatives back home.

However, a *recurring problem*, if we can call it like that, is that only a relatively small portion of remittances is used for investment, and this holds true especially for Moldova where only an estimated 7% of the received capital is invested. This is now not a bad thing for a household that receives remittances, because it helps to increase wage and consumption levels. In the long-term, however, if those migrants or their households want to invest, but do not or cannot do so, it is not a good thing from the perspective of the state. The investments I refer to can be defined as productive

investments in their narrow sense, where the state budget directly benefits from the revenues of business enterprises and not purely from the procurement of property, which is a very common pattern of remittances utilization. There is a common trend within the development discourse to view property purchase as a form of investment, however, this can be misleading – unless the bought houses are used for income-generating purposes, all such transactions do is push up property prices in complete disproportion to income levels.

Another common use of remitted capital is what is also popularly labelled as ‘human capital investments’, intuitively evoking positive associations – the case where resources are spent on education and health. Although undoubtedly of great use for an individual beneficiary, from the government’s standpoint this is qualified as an investment only as far as the state budget benefits from it – in other words if this developed expertise works to the good of Moldova. Although in the present global context of migration the existing social and economic capital can no longer be neatly segregated analytically, it is clear that if large amounts of money generated from remittances are invested in qualifying a person in Moldova, who as a result becomes an expert and then emigrates, losing touch with the homeland, this person and the money invested in him or her is lost. There are clear-cut indications of potential fiscal costs involved in losses of tax revenue that these potential high-earners would have paid into the national treasury.

Another mode of nation-building, or at least its maintenance, comes through disaster relief. There are many examples of substantial aid flowing from Diasporas following catastrophes, such as the earthquakes in Turkey in 1999 and in the Indian state of Gujarat in 2001 as well as the December 2004 tsunami. Likewise, the philanthropy can be of a significant benefit through “home town associations” in Mexico, “returnee associations” in Jamaica, charity foundations in Egypt or individual expatriates. It provides significant resources for the community development at the local level. Another phenomenon, usually overlooked due to its subjective nature, is nostalgia. A certain emotional attitude, expressed through the procurement of foods and products of the country of origin, creates markets for those products in the immigration country, fostering local production and international trade as well as bringing real dividends. I have observed certain nostalgic behaviour patterns in myself as I have a tendency to buy products from my home country of Georgia when abroad. So, all these interactions are fostered by the growth of international networks that sustain deep relations among the migrants, their countries of origin and the countries in which they have settled.

3. Policy Options for Moldova

One will have difficulty finding the term “*Diaspora Management*” in the EU-Moldova action plan or in the Economic Growth and Poverty Reduction Paper. However, this aspect is of paramount importance to the country’s migration and development policy. There are various approaches to the Diaspora management: countries such as Israel and Armenia regard their Diasporas as strategically vital political assets, while others, such as India, the Philippines, and other migrant-sending countries, have been recognizing the massive contributions their Diasporas make through remittances. For Moldova the latter models are of greater benefit, given that it does not have a long-standing history of migration and therefore highly organized mechanisms of reaching and mobilizing its migrants. In this context, I will now speak about various policy options open to Moldova that could be beneficial to the government’s efforts to build bridges with Diaspora and involve it in nation building.

3.1. Facilitating direct investment

As numerous experts have confirmed, one should implement policy measures that do not target at emigrants explicitly but have a particular relevance to emigrants. This ‘implicit targeting’ can be based on analyses of bottlenecks restricting migrants’ investment in particular – this of course applies to the public sector reform, particularly as it affects investment and all the measures, such as cutting the red tape, improving financial literacy, etc. Moreover, the philosophy of attempting to engage remittances in the economic development must be based on a premise that no interference and no social engineering should be undertaken by the authorities. First, there is the argument that the recipients themselves are usually in the best position to judge what the best way to spend the money is and of course there is an ethically oriented argument that people should be free to spend their own money as they please – and what the state should do is not provide special incentives for remittance-generated investments which are discriminatory against other willing investors, but work towards a favourable climate for all. Besides, it is entirely natural that a large share of remittances is spent on current consumption, as long as many migrants are poor. While it would be nice to think of migrants as potential small-scale entrepreneurs, it is not at all clear why the migrants (or their dependents left in Moldova) would be more likely than others to possess the wide range of skills required to run a small business successfully.

3.2. Legalization of Migration Flows

The second dimension of remittances-related policy measures that needs to be mentioned is the chief objective to legalize current migration flows from Moldova. As Moldova begins readmission agreement negotiations with the EU this May, which is an instrument of far greater advantage to the EU than it is to Moldova, bargain should be sought through various tradeoffs, such as bi-lateral labour treaties, labour quotas and circular migration schemes for the Moldovans. All of the latter would contribute to the legalization of migrant workers, which would have a major impact on their ties with the home countries. To name but a few effects: (a) unauthorized migrants earn less for comparable work than those who work legally, and therefore they are able to remit less to their relatives at home; (b) for the migrants who use smugglers because they lack the authorization to enter a country, the often substantial fees reduce the benefits of moving; (c) and irregular migrants are less able to seek recourse when their rights are violated, including labour rights, especially those related to safe working conditions. Studies have demonstrated that the lack of legal status combined with harsh border enforcement makes migrants less likely to return home periodically for family visits, which may weaken their ties with the family left behind and reduce the flow of remittances. It also tends to convert temporary or circular migrants into permanent ones, since they are unwilling to run the risks and bear the expense of repeating border crossing.

3.3. Non-state actors

Beyond assisting the home country governments in formulating their policy in the field of remittances, non-state actors can capitalize on their opportunity to act where the home country authorities cannot.

The host country authorities, their development agencies, and the host country NGOs can do their best to act within the host country society to maximize the benefits of outward remittances, for instance by supporting hometown migrant associations or contributing to ordered and reasonable transfer mechanisms. Non-governmental organizations can engage with commercial markets in the ways that state actors cannot, for instance by collecting, analysing and distributing information on specific remittance service providers within migrant communities. This can be important for increasing competition, reducing prices in this market and lowering the *transaction costs* for migrants.

3.4. Reducing brain-drain

Another question increasingly gaining notice in the development debate concerns the potential Diasporas have to reduce brain-drain in developing countries. Innovative national and international programs for “tapping the Diaspora” have been put in place so that home countries can access expatriate expertise, knowledge, and experience. One of the best known is the UN Development Program's Transfer of Knowledge through Expatriate Nationals (TOKTEN), which began in Turkey in the 1970s and is now established in some 50 countries. The program supports thousands of emigrant nationals with professional expertise so that they return to their countries of origin and work for a few weeks or months, though some choose to stay longer.

4. Conclusion

Thus it is important for the policy makers in Moldova to understand that migration is beyond good and evil – it is neither a bad nor a good thing *per se*, it is simply a fact of a globalizing economy. A realistic response requires therefore to abandon the primitive approach of trying to keep the highly skilled at home and to move towards a sound Diaspora management model which integrates past and present citizens into a web of rights and obligations in the extended community with the home country being the centre. In other words what is important for Moldova is to reach out to its citizens beyond its borders and to ensure that their ties with the country remain strong.

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